
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
August 16, 2006**

DRAFT

A meeting of the Board of Administration was held on Wednesday, August 16, 2006, CalPERS Auditorium, Lincoln Plaza North, 400 Q Street, Sacramento, California.

Board President Rob Fecker called the meeting to order at 9:00 a.m.

The Secretary called the roll and the following Board members were present:

Rob Feckner, President
Robert Carlson, Vice President
James Zerio representing Philip Angelides
Marjorie Berte
George Diehr
Debbie Endsley representing David Gilb
Priya Mathur
Tony Oliveira
Kurato Shimada
Maeley Tom
Charles Valdes
Karen Greene Ross representing Steve Westly

Michael Quevedo, excused

AGENDA ITEM 3 – ANNOUNCEMENT OF CLOSED SESSION

President Feckner announced there will be no closed session.

AGENDA ITEM 4 – APPROVAL OF THE JUNE 21, 2006 MEETING MINUTES

ON MOTION by Ms. Endsley, **SECONDED** and **CARRIED**, the Board approved the June 21, 2006 meeting minutes.

President Feckner took a point of personal privilege and presented a CalPERS Board of Administration Resolution to Michael Navarro, Retired Director of the Department of Personnel Administration and CalPERS Board Member.

AGENDA ITEM 5 – CHIEF INVESTMENT OFFICER REPORT

Russell Read, Chief Investment Officer presented this report to the Board.

The domestic and international equity markets experienced an end of June recovery from the recent dramatic down draft. June's market recovery has escalated the net assets of the PERF to \$209.9 billion. Key factors that will drive the markets over the coming year are the Federal Reserve policy, energy prices, and currency rates.

AGENDA ITEM 6 – INVESTMENT COMMITTEE

Charles Valdes, Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Monday, August 14, 2006.

Additional information may be found in August 14, 2006 agenda materials and/or transcripts of the Committee meeting.

The Board accepted the Committee Summary report (attached).

The next Committee meeting is scheduled for September 11, 2006 in Sacramento, California.

AGENDA ITEM 7 – BENEFIT AND PROGRAM ADMINISTRATION COMMITTEE

Kurato Shimada, Chair, Benefit and Program Administration Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, August 15, 2006.

Additional information may be found in the August 15, 2006 agenda materials and/or transcripts of the Committee meeting.

On motions by the Committee, the Board approved the following:

- ◆ Neutral position on AB 2863

The next Committee meeting is scheduled for September 12, 2006 in Sacramento, California.

AGENDA ITEM 8 – HEALTH COMMITTEE

George Diehr, Chair, Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, August 15, 2006.

Additional information may be found in the August 15, 2006 agenda materials and/or transcripts of the Committee meeting.

On motions by the Committee, the Board approved the following:

- ◆ Corrected 2007 CCPOA Benefit Trust Supplement to Medicare Plan Prescription Drug Benefit.

- ◆ Schedule of events for issuance of a Medical Administrator Request for Proposal for the self-funded health plans; Request for Proposal business model and fiduciary responsibility; Board's participation in the evaluation process and interview evaluation method, without using the apportionment method for scoring, which is an exception to the current Board policy.
- ◆ Hire an independent actuary that is qualified and experienced in the field of long-term care insurance programs to conduct a parallel review of the 2006 valuation and proposed mitigation plans for prior years' enrollees in the program. The scope of this project shall include a thorough review of valuation assumptions made by the current actuarial firm conducting the valuation, including but not limited to morbidity assumptions and estimation of deficit size. The review should also include an independent analysis and report on the proposed rate adjustments and rate plan structure necessary to achieve a successful mitigation of projected deficits. The selection of this independent actuarial firm and actuaries to conduct the review shall be supervised by the CalPERS Chief Audit Officer, who will oversee the completion of the project.

This additional valuation review is unusual, occasioned by the projected deficits in the Long-Term Care Program, and is not to be considered as a precedent to the normal cycle of program valuation activities.

Given the critical need for action to mitigate the deficits of the program, it is requested that this work go forward with the utmost urgency, and that the parallel review report not be used to delay the development and presentation of a mitigation plan to the Health Benefits Committee and the Board. Staff is directed to present a first reading of the mitigation plan to the Health Benefits Committee no later than the October 2006 meeting. The independent parallel valuation shall be utilized to validate or make adjustments to the plan. A final mitigation plan should be brought to the Health Benefits Committee and the Board at the November 2006 meetings.

The next Committee meeting is scheduled for September 12, 2006 in Sacramento, California.

AGENDA ITEM 9 – FINANCE COMMITTEE

The Committee did not meet.

AGENDA ITEM 10 – PERFORMANCE AND COMPENSATION COMMITTEE

The Committee did not meet.

AGENDA ITEM 11 – AD HOC BOARD GOVERNANCE COMMITTEE

The Committee did not meet.

AGENDA ITEM 12– BOARD MEETING CALENDAR

Fred Buenrostro reported the meeting calendar was submitted. The draft 2007 calendar will be presented at the September Board meeting.

AGENDA ITEM 13 – CHIEF EXECUTIVE OFFICER’S REPORT

Mr. Buenrostro reported on the CalPERS International Diversity Outreach and Celebration, proceeds of more than \$600 and a 50 gallon barrel of canned and boxed food goods were given to the Sacramento Food Bank. Also reported on the year-end all staff forums, (four sessions); third annual CalPERS Family Night at Raley Field with the River Cats – 184 tickets sold; and the Board-sponsored Ice Cream Social.

Mr. Buenrostro recognized Pat Drouet on her upcoming retirement.

AGENDA ITEM 14 – BOARD’S STATE LEGISLATIVE PROGRAM/BOARD’S POSITION ON STATE LEGISLATION

Danny Brown, CalPERS staff, reported that the legislative session is fast approaching the end. The Governor signed two Board supported bills: AB 2244 – CalPERS Omnibus bill and AB 2438 – school districts reporting industrial temporary disability payments as compensation. Sponsored bills: SB 1729 will be heard in appropriations and SB 1207 should be taken up on the floor.

AGENDA ITEM 15– BOARD’S FEDERAL LEGISLATIVE PROGRAM/BOARD’S POSITION ON FEDERAL LEGISLATION

Tom Lussier, CalPERS federal lobbyist, reported on the following:

- ◆ President is scheduled to sign the Pension Protection Act of 2006
- ◆ House of Representatives to pass the health IT bill
- ◆ Key Senators requesting the GAO to conduct a study about the funded status of public pension plans; Education and Workforce Committee hearing on the funding status of public pension plans; Deloitte and Touche study released highly critical of funding status of public pension plans, advocating conversion of DB plans to DC plans
- ◆ NY Times article describing the public pension industry in financial turmoil and out of control

AGENDA ITEM 16 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

ON MOTION by Ms. Mathur, **SECONDED** and **CARRIED**, the Board adopted staff’s recommendations on items 16A through 16E.

AGENDA ITEM 17 – GENERAL COUNSEL’S REPORT

Mr. Mixon noted the submitted monthly case report and assignment matrix, litigation brought against the United Health Group, and the Fiduciary Workshop.

AGENDA ITEM 18 – BOARD TRAVEL APPROVALS

ON MOTION by Mr. Valdes, **SECONDED** and **CARRIED**, the Board approved the travel requests. James Zerio voted no.

AGENDA ITEM 19 – DRAFT AGENDA FOR SEPTEMBER 13, 2006 MEETING

The Board accepted the draft agenda.

There being nothing further to come before the Board of Administration, the meeting adjourned at 9:49 a.m. in memory of Robert M. Clark, a member of the system that passed away August 14th in his 90th year.